

NOMA

NOMA INDUSTRIES LIMITED

ANNUAL REPORT
FOR THE YEAR
NINETEEN SEVENTY-SIX



Noma Products for the Home

Directors

Mrs. Theresa Beck

*H. Thomas Beck

Rudolph A. Koehler

*Donald Rafelman

*Andrew Wedd

**Member of the audit committee*

Officers

Mrs. Theresa Beck,
*Chairman
of the Board*

H. Thomas Beck,
*President
and Chief Executive Officer*

Rudolph A. Koehler,
*Executive
Vice-President, and
Secretary*

Mark S. Waldman,
Vice-President, Finance

Meinrad C. Meerkamper,
Controller

**Operating Divisions
and Subsidiaries**

Beck Electric Manufacturing Company,
Downsview, Ontario

Ben Hoag,
General Manager

Beck Electric Manufacturing Inc.,
Stamford, Connecticut

Seymour Jeruss,
President

Cable-Tech Wire Company Limited,
Stouffville, Ontario

Siegfried Riemer,
President

Noma Displays Limited,
Downsview, Ontario

Rolph Baumann,
Manager

Noma Lites Canada Limited,
Scarborough, Ontario

Rudolph A. Koehler,
President

Outdoor Products Mfg. Ltd.,
Brampton, Ontario

William Czeban,
President

Head Office

375 Kennedy Road
Scarborough, Ontario M1K 2A3

Auditors

Touche Ross & Co., Toronto

Transfer Agent & Registrar

Montreal Trust Company

Stock Listing

Toronto Stock Exchange

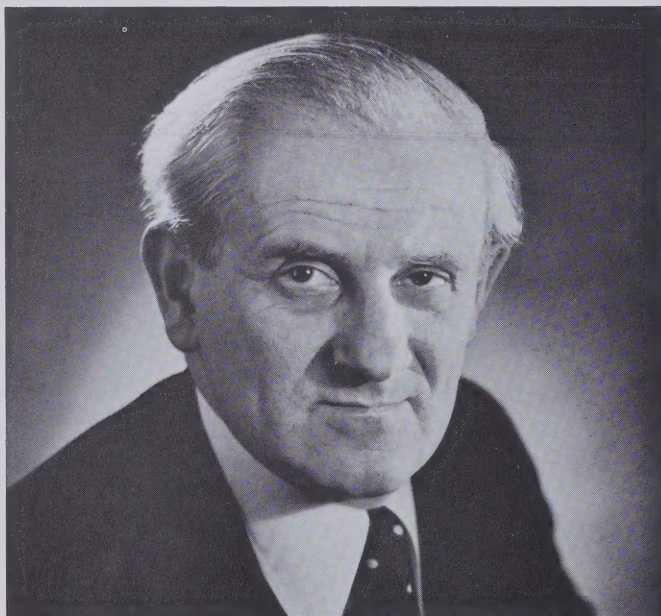
Annual Meeting

The annual meeting of shareholders
will be held on Tuesday,
May 31, 1977 at 11:00 a.m. in the Library
of the Royal York Hotel, Toronto

Financial Highlights

	1976	1975
Sales _____	\$36,218,000	\$26,763,000
Net earnings _____	1,163,000	354,000
Per share _____	\$1.14	\$0.35
Cash flow from operations _____	2,301,000	1,587,000
Working capital _____	4,865,000	4,734,000
Shareholders' equity _____	8,852,000	7,896,000
Per share _____	\$8.70	\$7.76

President's Message



To Our Shareholders:

This is the fifth annual report of Noma Industries Limited to its shareholders. When your company first issued its shares to the public in October 1972, it had a sales base of \$8.9 million and an equity base of \$2.5 million. Today, as our results will indicate, we are a vastly different, more mature and more widely diversified company. We have reduced our dependence on Christmas related products from over half of our sales to approximately one quarter of our sales, even though sales of Christmas products have doubled over the period.

Financial Review

Sales in 1976 were ahead by over 35 per cent, climbing to \$36.2 million from \$26.8 million a year earlier. We believe that this signals a resumption of sales growth which was temporarily interrupted in fiscal 1975.

This improvement was also reflected in profits, which rose to \$1,163,000, or \$1.14 per share, from \$354,000, or 35 cents per share, last year. Much of this increase can be attributed to the impact which significantly higher levels of sales had on operating margins.

Our year-end inventory increased by \$1.9 million. The biggest single portion of this increase was accounted for by the earlier purchase of Christmas goods for the 1977 season, to take advantage of prevailing market conditions.

Capital expenditures during the year were approximately \$1,365,000. This amount was about \$350,000 above budgeted estimates and was primarily directed to the expansion of our U.S. manufacturing facilities, and to additional equipment at Cable Tech.

Long-term loans were reduced by \$560,000, while current bank indebtedness increased by \$1.9 million. Shareholders equity rose again during the year, reaching \$8.70 per share.

In February 1977, dividends paid to shareholders were increased from a semi-annual rate of 10¢ per share to 12¢ on Class A shares, and from 8.5¢ per share to 10.2¢ on Class B shares.

Operating Review

There was considerable improvement in the operations of Noma Lites, with Christmas and consumer goods sales reaching record levels. Its Beck Electric Manufacturing division also performed well, moving from a loss position to one of satisfactory profit.

Improvement also occurred in our Cable Tech division as demand for its products increased. Our U.S. division, Beck Electric Manufacturing Inc., recorded a small loss but the improvement over the previous year was meaningful and encouraging. Sales for all products were up in this division, with the major growth being recorded in Christmas-related goods.

While operating results at Outdoor Products were not entirely satisfactory, there were promising signs for the future. Part of the problem in this division will be alleviated by the consolidation of its operations from three separate locations to a single plant, which was effected at the beginning of this year. Outdoor Products has also undergone a major reorganization in recent months, with emphasis being placed on manufacturing efficiencies.

Our Quebec sales organization has been enlarged; all companies are now represented by a sales force operating from our new offices in Montreal.

Energy

Your company has been actively concerned with the impact of the overall energy situation. As an example, since 1975, we have reduced the power consumption of standard outdoor and indoor Christmas lights by 25%. These products represent a major portion of our Christmas sales. We are pleased to note that other manufacturers are taking similar steps.

We are also encouraged by the general thrust of President Carter's Energy Conservation Program. We believe his statement, that no industry will suffer or gain disproportionately from his proposals, will have positive effects, especially for our U.S. operations.

Outlook

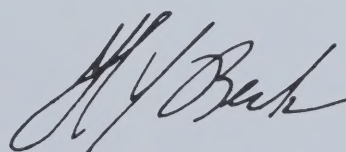
Sales for the first three months of the current year are ahead of the same period last year by 12 per cent. We are expecting further growth in both sales and profits in the year, where capital expenditures on the order of \$1.2 million are planned. Both the U.S. division and Outdoor Products should make a positive contribution to profits for the year and the prospects for a satisfactory performance for 1977 are good.

Appointments

In addition to his duties as Executive Vice-President and Secretary of your Company, Mr. Rudy A. Koehler has assumed further corporate responsibility as President of Noma Lites Canada Limited; Mr. Mark Waldman, while continuing his role as Treasurer, has taken on the duties of Vice-President, Finance; and Mr. Karl Meier has assumed the new duties of Vice-President of Sales and Marketing of Noma Lites Canada Limited.

Acknowledgement

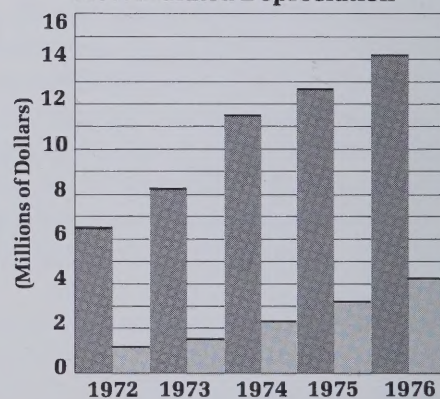
On behalf of the Board of Directors, I once again extend our gratitude to all the men and women of our management and staff who contributed so loyally and effectively to our success throughout the year.



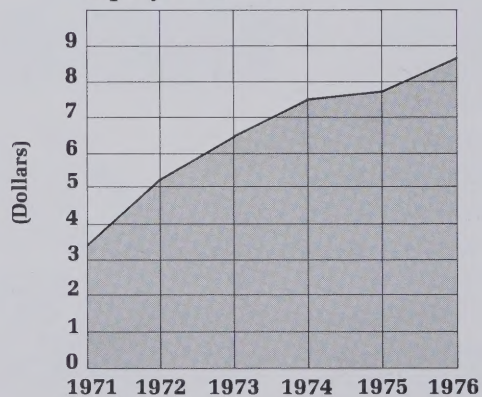
H. Thomas Beck,
President & Chief Executive Officer
April 26, 1977.

Fixed Assets
Accumulated Depreciation

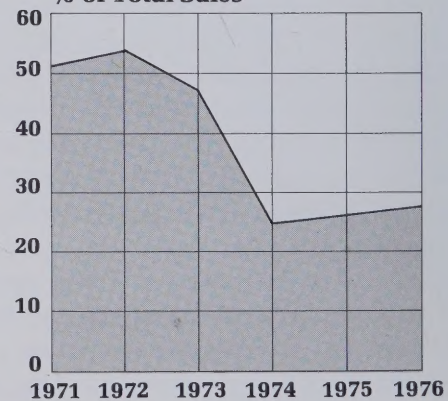
Fixed Assets and Accumulated Depreciation



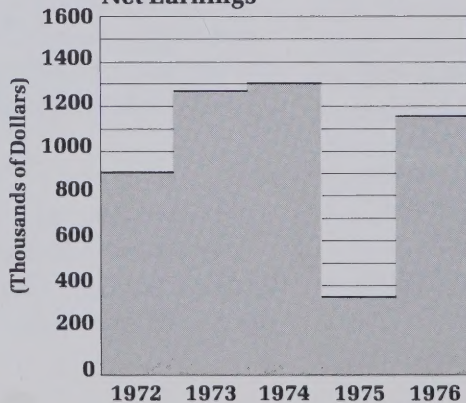
Equity Per Share



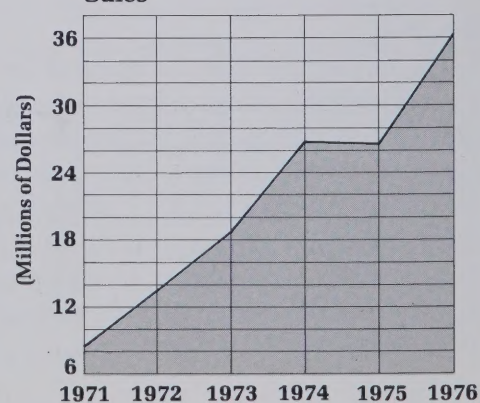
Christmas Products As % of Total Sales



Net Earnings



Sales



Recently Corporate and Divisional management, met to discuss various aspects of Noma Industries operations. Among those attending were:



Rudy Koehler, President Noma Lites



Donald Rafelman, Director



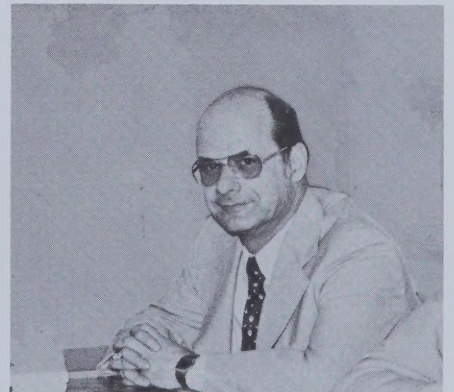
Andrew Wedd, Director



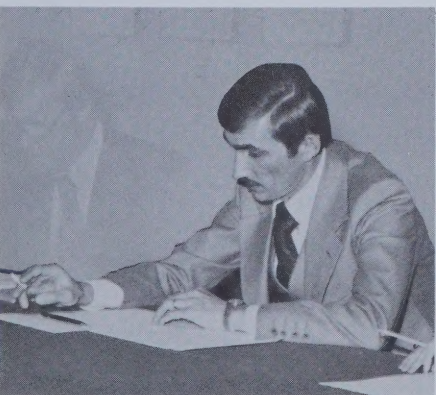
Mark Waldman, Vice President, Finance



Siegfried Riemer, President Cable-Tech



*Seymour Jeruss, President
Beck Electric (U.S.A.)*



Bill Czeban, President Outdoor Products



*Ben Hoag, General Manager,
Beck Electric (Harness)*



Karl Meier, Vice President Noma Lites

Operations

Noma Lites Canada Limited

Budgeted sales and profit targets were more than met in 1976, with heavy emphasis being placed on controlling costs. Sales were substantially ahead of the previous year. We are continuing to concentrate major efforts on cost controls. The prospects for 1977 are promising for all product lines. We have recently begun to market building wire, which is meeting with encouraging acceptance and should provide a significant boost to wire sales this year.

Sales of Christmas products were good in 1976 and we expect this trend to continue in 1977. We have introduced some new products to our 1977 Christmas line which have been well received. We believe the prospects for tree sales are also good, as we have improved our styling in a number of new products. Our tree manufacturing division, Noma Displays, continued to operate efficiently and has increased its sales to the export market.

We are also looking to new sales resulting from the introduction of a line of light bulbs for chandeliers.

Cable Tech Wire Company Limited

The wire and cable industry operated well below capacity in 1976. Sales of Cable Tech attained budgeted targets and were substantially greater than in 1975. Profits, while showing an increase over the previous year, were below target.

During the latter part of 1976, we commenced the manufacturing of building wire to support the

marketing efforts of Noma Lites, and have increased our sales force to service and improve sales for O.E.M. customers.

Beck Electric Manufacturing Company

Last year was a highly satisfactory one for the harness division, Beck Electric Manufacturing. Sales and profits were significantly improved and progress was made in attaining greater efficiency. While it will be difficult to match last year's improvement, the division expects continued growth in 1977.

Beck Electric Manufacturing Inc.

The sales of our U.S. subsidiary have been showing steady improvement since 1974 and we look for a significant breakthrough in 1977. The sales management of the division has been strengthened, with emphasis being placed in wire and cord set sales. We are concentrating on better plant layout, more efficient material handling and improved labour controls.

Based upon orders on hand for Christmas products, we expect a record year and we are confident that this division will make a worthwhile contribution to profits in 1977.

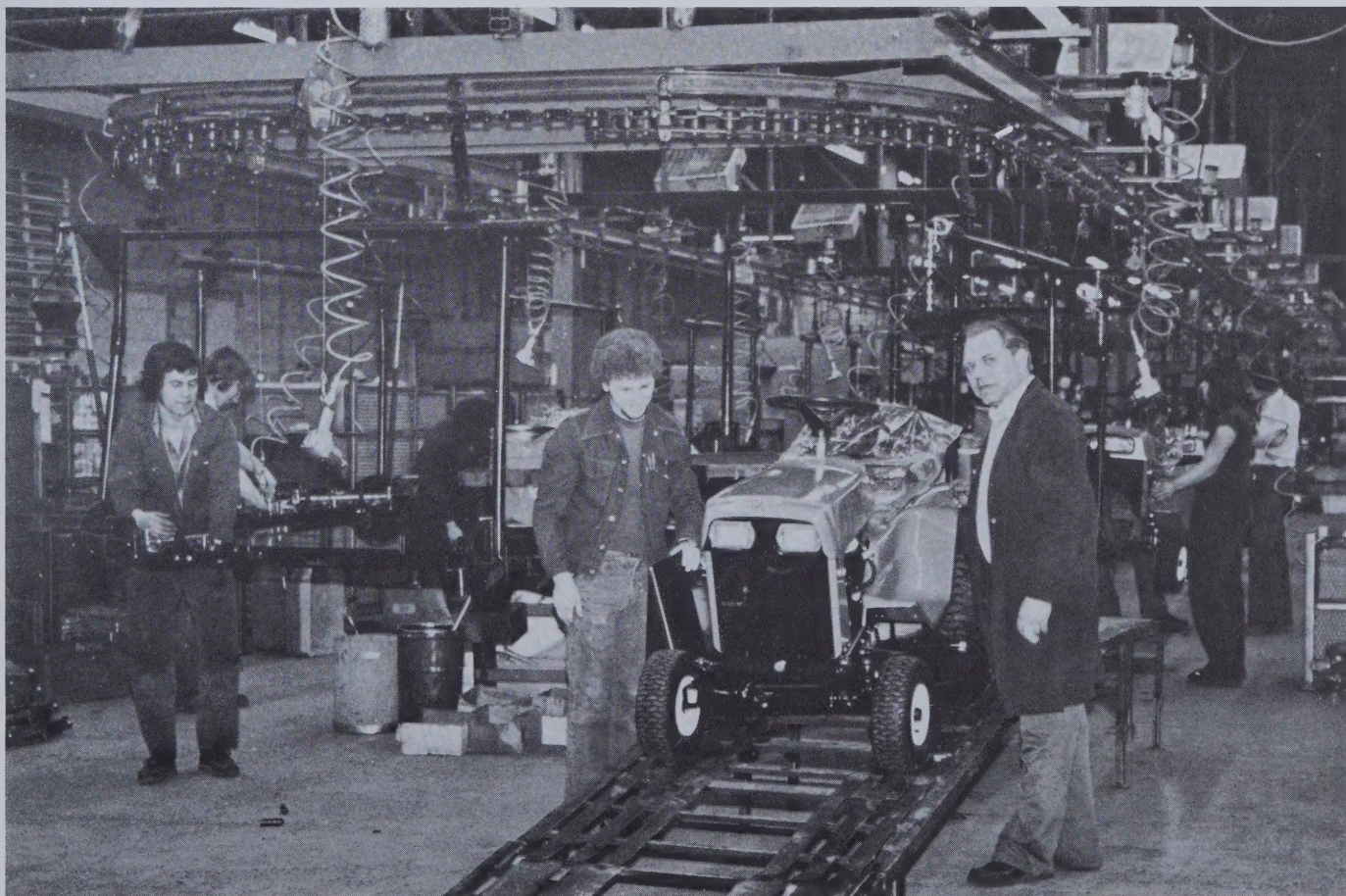
Outdoor Products Mfg. Ltd.

In fiscal 1976, we achieved increases in sales and market shares in the Outdoor Products division, but results were unsatisfactory due to labour inefficiencies and the cost of carrying high levels of inventory.

The last six months of 1976 were spent in improving performance, as well as cutting back on the product line. A move to a single 105,000 sq. ft. plant from our three separate locations should greatly assist our drive for further economies. We have installed a computerized material planning and inventory control system to reduce our levels of inventories.

In 1977, we expect a continuation of our sales growth trend, but with improved results. In accordance with the purchase agreement, Noma Industries will be acquiring an additional 10 per cent of the equity in Outdoor Products, bringing its interest to 80 per cent.

Tractor assembly line at new plant of Outdoor Products Manufacturing Ltd. in Brampton, Ontario.



Consolidated Statement of Earnings

For the Year Ended December 31, 1976 (with comparative amounts for 1975)

	1976	1975
Sales	\$36,218,172	\$26,762,781
Costs and expenses		
Cost of sales and selling and administrative expenses	31,946,502	23,899,516
Depreciation and amortization (Note 7)	1,116,922	949,562
Interest on long-term debt	611,524	630,824
Interest on other indebtedness	567,564	601,891
	<u>34,242,512</u>	<u>26,081,793</u>
Earnings before income taxes and minority shareholders' interest	1,975,660	680,988
Income taxes	831,001	337,001
	<u>1,144,659</u>	<u>343,987</u>
Minority shareholders' interest	(18,057)	(9,675)
Net earnings	<u>\$ 1,162,716</u>	<u>\$ 353,662</u>
Earnings per share	<u>\$1.14</u>	<u>\$0.35</u>

See accompanying notes to consolidated financial statements.

Auditors' Report

The Shareholders, Noma Industries Limited.

We have examined the consolidated balance sheet of Noma Industries Limited as at December 31, 1976 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of Noma Industries Limited as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

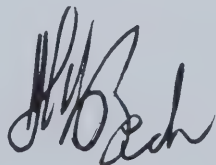
Toronto, Ontario,
March 30, 1977.

TOUCHE ROSS & CO.
Chartered Accountants.

Consolidated Balance Sheet

as at December 31, 1976 (with comparative amounts for 1975)

	1976	1975
ASSETS		
Current		
Cash	\$ 206,804	\$ 27,913
Accounts receivable (Note 2)	5,613,512	4,411,686
Inventories	9,079,404	7,176,180
Sundry assets and prepaid expenses	271,630	232,860
Income taxes recoverable	—	459,978
	<u>15,171,350</u>	<u>12,308,617</u>
Fixed assets (Note 3)	9,842,124	9,571,252
Patents	47,849	54,258
Goodwill	610,691	627,142
Notes receivable	12,000	18,000
Deferred costs (Note 10)	46,423	—
	<u>\$25,730,437</u>	<u>\$22,579,269</u>
LIABILITIES		
Current		
Bank indebtedness (Note 4)	\$ 6,108,234	\$ 4,228,030
Accounts payable and accrued liabilities	3,076,397	2,792,662
Income taxes payable	562,780	—
Current portion of long-term debt (Note 5)	559,044	554,128
	<u>10,306,455</u>	<u>7,574,820</u>
Deferred income taxes	1,583,717	1,544,516
Long-term debt (Note 5)	4,836,367	5,393,466
Minority interest in subsidiary companies	152,256	170,313
	<u>16,878,795</u>	<u>14,683,115</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 6)	2,456,860	2,456,860
Retained earnings	6,227,932	5,272,444
Contributed surplus	166,850	166,850
	<u>6,394,782</u>	<u>5,439,294</u>
	<u>8,851,642</u>	<u>7,896,154</u>
	<u>\$25,730,437</u>	<u>\$22,579,269</u>



Director

On behalf of the Board



Director

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31, 1976 (with comparative amounts for 1975)

	<u>1976</u>	<u>1975</u>
Funds provided by		
Net earnings _____	\$ 1,162,716	\$ 353,662
Amounts charged against earnings but not requiring an outlay of funds		
Depreciation and amortization (Note 7) _____	1,116,922	949,562
Deferred income taxes _____	39,201	293,838
Losses of subsidiary companies attributable to minority shareholders _____	(18,057)	(9,675)
	<u>2,300,782</u>	<u>1,587,387</u>
Shares issued by a subsidiary company to minority shareholder _____	—	30,000
Forgiveness of loan _____	—	88,750
Decrease in notes receivable _____	6,000	6,000
	<u>2,306,782</u>	<u>1,712,137</u>
Funds used for		
Purchase of fixed assets _____	1,364,934	1,327,704
Dividends paid including special 15% tax (Note 6) _____	207,228	203,400
Acquisition of an additional 10% interest in Beck Electric Manufacturing Inc. _____	—	75,000
Deferred costs (Note 10) _____	46,423	—
Decrease in long-term debt _____	557,099	644,293
	<u>2,175,684</u>	<u>2,250,397</u>
Increase (decrease) in working capital _____	131,098	(538,260)
Working capital at beginning of year _____	4,733,797	5,272,057
Working capital at end of year _____	<u>\$ 4,864,895</u>	<u>\$ 4,733,797</u>

Consolidated Statement of Retained Earnings

For the Year Ended December 31, 1976 (with comparative amounts for 1975)

	<u>1976</u>	<u>1975</u>
Balance at beginning of year _____	\$ 5,272,444	\$ 5,122,182
Net earnings _____	1,162,716	353,662
	<u>6,435,160</u>	<u>5,475,844</u>
Dividends paid (Note 6) _____	(207,228)	(203,400)
Balance at end of year _____	<u>\$ 6,227,932</u>	<u>\$ 5,272,444</u>

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 1976

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of consolidation

- i. The consolidated financial statements include the accounts of the Company and all its subsidiary companies. All significant inter-company transactions are eliminated.
- ii. All amounts in foreign currencies, including the accounts of the United States subsidiary company are converted to Canadian dollars as follows:

Current assets and liabilities at rates prevailing at the balance sheet date.

Non-current assets and liabilities at rates prevailing when acquired or incurred.

Income and expenses at average exchange rates applying throughout the year.

b. Inventories

Inventories comprising raw materials, work-in-process and finished goods are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

c. Depreciation and amortization

Property, plant and equipment are depreciated on the straight-line basis at rates intended to extinguish the costs of these assets over their estimated useful lives. Leasehold improvements are amortized over five years or the remaining period of the respective leases whichever is the shorter period. Patent costs are amortized over a period of seventeen years.

d. Goodwill

Goodwill is amortized on a straight-line basis over forty years.

e. Income taxes

The provision for income taxes is computed on the allocation basis whereby provision is made for income taxes deferred by virtue of depreciation for tax purposes exceeding that booked in the accounts. The Company uses the flow-through method in accounting for investment tax credits.

f. Minority interest in subsidiary companies

This account represents the minority interest in the capital stock and retained earnings of two subsidiary companies and includes a minority interest of \$11,928 in preference shares.

2. ACCOUNTS RECEIVABLE

Accounts receivable include \$124,337 (1975 — \$50,937) loaned to shareholder employees of the Company in connection with house purchases. \$74,000 has been repaid subsequent to the year-end.

3. FIXED ASSETS

	1976		1975	
	Cost	Accumulated depreciation and amortization	Net Book value	Net book value
Buildings	\$ 3,689,940	\$ 520,758	\$3,169,182	\$3,265,952
Machinery, equipment and leasehold improvements	8,873,883	3,202,839	5,671,044	5,257,344
Moulds, dies and tooling	1,028,703	587,320	441,383	484,941
	<u>13,592,526</u>	<u>4,310,917</u>	<u>9,281,609</u>	<u>9,008,237</u>
Land	560,515	—	560,515	563,015
	<u>\$14,153,041</u>	<u>\$4,310,917</u>	<u>\$9,842,124</u>	<u>\$9,571,252</u>

4. BANK INDEBTEDNESS

Bank indebtedness is secured by a general assignment of certain receivables and inventories. Certain of the Company's subsidiaries are required to maintain compensating balances which amounted to \$200,000 at December 31, 1976.

5. LONG-TERM DEBT

	1976	1975
Term bank loans (a)	\$3,100,000	\$3,500,000
Mortgages on real property (b)	2,295,411	2,347,594
Note payable	—	100,000
	<u>5,395,411</u>	<u>5,947,594</u>
Less current portion	<u>559,044</u>	<u>554,128</u>
	<u>\$4,836,367</u>	<u>\$5,393,466</u>

- a. Interest is payable at 1¹/₄% above prime interest rate. The repayment terms are \$500,000 in 1977 and 1978, \$600,000 in 1979, \$1,000,000 in 1980 and \$500,000 in 1981. The security is a fixed charge on land, buildings and equipment and floating charges on all the assets of the Company and its

subsidiary companies subject to priorities of mortgages and assignment of certain receivables and inventories.

- b. \$1,137,618 interest at 8³/₄% due December 1, 1992, repayable \$131,076 per annum including principal and interest.
 \$1,157,793 interest at 10¹/₈% due November 1, 1994, repayable \$138,180 per annum including principal and interest.

The annual principal payments required in the next five years to meet the long-term debt obligations are:

1977	\$ 559,800
1978	564,100
1979	671,100
1980	1,077,800
1981	585,600

6. CAPITAL STOCK

During 1976, the Company amended its Articles by reclassifying the 2,000,000 authorized common shares without par value into 1,750,000 Class A Special Shares without par value, 100,000 Class B Special Shares without par value and 150,000 common shares without par value.

The Class A and Class B Special Shares are convertible one into another and are subject to the same rights and conditions except in respect of dividends. Dividends declared on Class B shares, after deducting a special 15% tax paid by the Company, are equivalent to those paid on Class A shares. Such dividends paid on Class B shares are referred to as "tax-deferred" dividends and result in a different tax treatment when received by shareholders.

At December 31, 1976, there were 260,450 Class A Special Shares issued and outstanding and 756,500 Class B Special Shares issued and outstanding, for a total of 1,017,000 shares issued for a consideration of \$2,456,860.

7. DEPRECIATION AND AMORTIZATION

	1976	1975
Depreciation	\$1,077,668	\$ 917,146
Amortization of		
Leasehold improvements	16,503	10,946
Patents	6,300	5,882
Goodwill	16,451	15,588
	<u>\$1,116,922</u>	<u>\$ 949,562</u>

8. COMMITMENTS AND CONTINGENCIES

- a. The total rentals paid for 1976 amounted to approximately \$316,000 under existing leases which are for various periods to 1993.
 b. There were letters of credit outstanding at December 31, 1976 of approximately \$1,393,000.
 c. The Company has a commitment to purchase the 30% minority interest in its subsidiary company, Outdoor Products Mfg. Ltd., at varying dates up to April 30, 1980 at prices based upon that company's earnings. On or before April 30, 1977 the Company will be acquiring an additional 10% interest in this subsidiary company for approximately \$53,000.

9. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate remuneration paid and payable by the Company and its subsidiary companies to the directors and senior officers of the Company was \$269,197 (1975 — \$265,369).

10. DEFERRED COSTS

A subsidiary company moved to new premises effective January 1, 1977. Moving costs incurred prior to this date will be amortized against future years' revenue.

11. INCOME TAXES

There are tax losses of approximately \$436,000 available to a subsidiary company to reduce taxable income in respect of the years to 1982. This subsidiary company also has available investment tax credits of approximately \$193,000 to reduce future years' taxes payable, expiring at varying dates up to 1983.

12. ANTI-INFLATION LEGISLATION

The Company and its Canadian subsidiary companies are subject to controls on prices, profit margins and compensation under the Federal Anti-Inflation Legislation enacted on October 14, 1975. It is also restricted to total dividends of 34.5¢ per share for the twelve-month period ending October 13, 1977. The Company is of the opinion that the Legislation will have no significant effect on its financial statements.

Noma Products for the Home



NOMA INDUSTRIES LIMITED
375 Kennedy Road, Scarborough, Ontario M1K 5A3